BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca Issue: 04-05 February 6, 2004

- **Unemployment rate rises to 7.3% in January**
- **The value of building permits issued in BC amounted to $6.4 billion in 2003**
- **Foreign-controlled corporations accounted for 22% of investment in BC in 2002**

Labour Force

- **British Columbia's job market lost momentum in January**. An influx of job seekers, combined with negligible job growth, pushed the unemployment rate up 0.5 percentage points to 7.3% (seasonally adjusted).

  Adult men (aged 25+) accounted for 98% of the increase in the labour force. These were likely "discouraged job seekers" drawn back into the labour force by the impressive job growth seen in the last quarter of 2003. However, employment growth in January – an increase of one-twentieth of one percent – was not enough for the expansion of the labour force (+0.6%). There were 13,000 additional people competing for 1,000 new jobs. *Data Source: Statistics Canada*

- **While the overall number of jobs was basically unchanged, there were significant changes in the mix of jobs**. There was solid job growth in the goods-producing sector (+3.9%) – especially in construction (+9.9%). However, the much larger service sector saw a decline in the number of jobs (-0.9%). Despite the growth of goods-producing employment, there was a drop in the number of full time jobs (-0.3%). This was offset by a strong increase in part-time work (+1.3%). There was also growth in both public (+1.3%) and private (+0.4%) sector jobs. Self-employment, in contrast, fell by 2.3%.

  Unemployment rates rose for both young people and adults. However, youth unemployment, at 14.8%, is now two and a half times the rate for those aged 25 and over (5.9%).

  January's influx of men into the labour force created an almost one percentage point gap between the unemployment rates of men (7.7%) and women (6.9%) in BC. During the last quarter of 2003, the difference between these rates was negligible. *Data Source: Statistics Canada*

- **Regionally, unemployment in BC ranged from a high of 13.8% (three month moving average) in the North Coast and Nechako regions to a low of 4.4% in the Northeast**. The Mainland/Southwest region – greater Vancouver and its surrounding communities – had the second lowest unemployment (6.2%). *Data Source: Statistics Canada*

- **For Canada as a whole, unemployment was unchanged in January, at 7.4% (seasonally adjusted).** In the previous month, BC's unemployment rate dropped below the national level for the first time since spring, 2001. BC continues to have below average unemployment, though only by a margin of 0.1 percentage points.

  The only province to see a considerable drop in the unemployment rate in January was Newfoundland and Labrador (-1.5 percentage points), though the province still suffers from extremely high unemployment (16.5%).

  Alberta, despite a loss of jobs in January (-0.5%), still has the lowest unemployment rate among the provinces (5.0%). The other prairie provinces – Manitoba (5.2%) and Saskatchewan (5.6%) – closely follow. *Data Source: Statistics Canada*

Housing

- **The value of building permits issued in BC amounted to $6.4 billion in 2003**. This represents an increase of 13.0% – the third consecutive year of double-digit growth.

Report Insurance Tops Concerns for Small Business

Did you know...
49% of British Columbians believe in "out of body experiences".

The residential sector (+16.2%) was the leading factor in the construction boom. Growth in non-residential building permits (+6.0%) was more modest. Commercial building was almost unchanged (+0.8%). The institutional and government sector, however, showed the strongest growth in 2003 (+19.4%), after declining sharply in 2002 (-42.0%).

Construction intentions were spread widely through the regions of BC. Only Nechako (-35.1%) posted a decline in the value of building permits. In both the Kootenay and Cariboo regions, permits rose by nearly 46%. In Victoria (CRD), planned construction projects amounted to more than $552 million – an increase of 23.7% and the largest dollar value ever recorded. (The previous record for Victoria, from 1993, was $472 million.) Greater Vancouver, in contrast, saw little expansion (+2.4%). *Data Source: Statistics Canada*

- **In *December*, the value of building permits rose 16.0% (seasonally adjusted) in BC, finishing the year on a note of solid growth**. Nationally, building permits rose 12.8%.
Data Source: Statistics Canada

Foreign Investment

- **Foreign-controlled corporations accounted for 22% of investment in BC in 2002**. US-controlled firms are the largest foreign investors, making up 18% of total investment in BC. Corporations from other countries – principally Japan, Germany, and the UK – account for another 4% of investment. The proportion of foreign-controlled investment in BC has not changed since 2000. However, the US share has increased 2 percentage points since 2000, while the share of investment controlled from other countries has declined by 2 percentage points.

  Foreign-controlled corporations are those in which foreign shareholders are able to elect the board of directors. Usually, this means foreign ownership of the majority of the voting shares.
Data source: SC, Catalogue # 61-232-XIB

- **Compared to other regions of the country, BC has low levels of foreign-controlled investment**. Only New Brunswick (15%) and PEI (16%) have lower levels. In Nova Scotia, some 49% of investment comes from foreign-controlled firms. Nationally, 28% of total investment is foreign controlled – reflecting an increase of about 1 percentage point since 2000.

  Across industries there is wide variation in the degree of foreign-controlled investment in Canada. In the automotive sector, 79% of investment in 2002 was through foreign-controlled corporations. Professional, scientific and technical services (63%) and the finance and insurance sector (57%) are also dominated by foreign-controlled investment. In contrast, transportation and warehousing (8%), and especially information and culture (1%), have low levels of foreign-controlled investment.
Data source: SC, Catalogue # 61-232-XIB

The Nation

- **Canadian manufacturers show guarded optimism for the first quarter of 2004**. While 15% of manufacturers stated they plan reduce output this quarter, a greater share (30%) intend to increase output. However, slightly more manufacturers intend to reduce (17%) rather than expand (15%) the size of their workforce this quarter. *Data Source: Statistics Canada*

- **Domestic sales of gasoline in Canada amounted to some 40.2 billion litres in 2003**. Sales of diesel fuel were 23.7 billion litres.
Data Source: Statistics Canada

- **Canadian cigarette manufacturers sold 38.6 billion cigarettes in 2003, 5% below sales in 2002**. *Data Source: Statistics Canada*

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Infoline Report

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Contact: Dan Schrier (250) 387-0376
Originally published in *Small Business Quarterly*, Issue 03-3. Annual Subscription$30 +GST

Cost of Insurance is the Top Concern for Small Business in BC

Small businesses in British Columbia have had to face a number of challenges in 2003.

- The softwood lumber dispute with the United States continues to be a concern for the BC forest sector, but particularly for the smaller players like independent sawmills and remanufacturers.

- The discovery of bovine spongiform encephalopathy (more commonly known as "mad cow" disease) was a big blow to the cattle industry and although some restrictions have been lifted, there are still export bans on many cuts of meat and certain live animals.

- The war in Iraq also affected small businesses, partly due to reluctance of people to travel away from home and partly due to American reaction to Canada's refusal to participate. Some businesses were unable to sell their wares south of the border because their customers disagreed with Canada's position on the war.

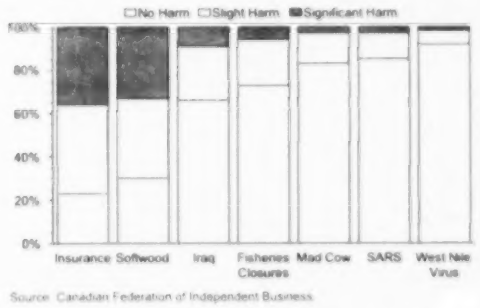
- The SARS epidemic affected the number of tourists coming to BC and may have resulted in reduced revenues for businesses catering to tourists.

- The rash of forest fires in BC's interior affected business in a couple of ways. Potential customers, be they tourists or locals, were prevented from accessing some businesses. Also, some businesses suffered fire damage that in some cases caused the closure of that business.

- The Canadian dollar has experienced rapid appreciation, which has hurt some businesses dependent on exports, including the tourism sector. However, there are also businesses that have benefited from the higher dollar. According to a survey performed by the Canadian Federation of Independent Business (CFIB) in December, 35% of BC small businesses said a higher dollar would hurt their business, while 30% said it would help, with the remainder saying it either had no impact or they did not know.[1]

Despite all these unexpected events, the issue that concerns small businesses in BC the most is rising insurance costs. According to a June CFIB survey, in BC, the cost and availability of insurance caused significant harm to 36% of respondents' businesses and slightly harmed a further 41%.[2] By comparison, the softwood lumber dispute was reported to have significantly harmed 33% of businesses and slightly harmed 37%. The situation in Iraq was the next most significant concern, with 9% reporting significant harm and 25% suffering slight harm.

Insurance cost and availability caused more harm to BC small businesses than any other issue



Source: Canadian Federation of Independent Business

[1] Mallett, Ted. Quarterly Business Barometer, 2003 No. 4, Canadian Federation of Independent Business (December 2003).

[2] Mallett, Ted. Quarterly Business Barometer, 2003 No. 2, Canadian Federation of Independent Business (June 2003).

In a separate survey by the Council of Tourism Associations of British Columbia (COTA), the result was the same: the most significant factor harming respondents' businesses was reported to be the cost and availability of insurance. Over half of tourism businesses surveyed reported a problem with insurance. The COTA survey found that of the 453 businesses surveyed, 12% could not access any kind of insurance at all.[3]

Starting with the events of September 11, 2001 and continuing with a spate of natural disasters such as hurricanes on the east coast, droughts in the prairies and the fires sweeping through Western Canada and some western states, insurance companies have had to pay out far more than usual in the last few years, and this has resulted in substantial price inflation. Insurance companies are being far more reticent about selling policies to high-risk clients, or at least, what they perceive as high-risk.

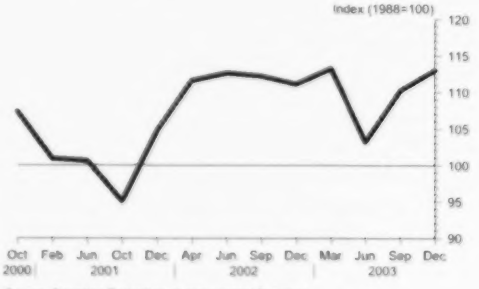
Premiums have increased on virtually every type of commercial insurance, including automobile, property, business interruption, etc. With the small operating margins of many small businesses, this dramatic increase in cost could turn a business' balance sheet from a position of profit to one of loss. Considering that about 98% of businesses in BC are classified as a small business (i.e., employing less than 50 people), this could prove to be a serious challenge to the provincial economy.

Across Canada, according to the CFIB survey, the industries with the greatest incidence of harm (either significantly or slightly) due to insurance costs and availability are the transportation services (86%), financial services (83%) and construction (82%) industries. Business services (66%), social services (67%) and the hospitality sector (67%) were the industries least harmed, although two-thirds of the businesses in these industries had problems with insurance.

Despite all the difficulties experienced by small businesses in BC over the last year, on balance, their expectations for the next 12 months are positive. According to the CFIB Quarterly Business Barometer Index, after hitting its lowest point since the aftermath of September 11th in June, business confidence rebounded in September and again in December.[4] Expectations in BC have recovered to the point where they were in March.

The fact that BC businesses are regaining confidence is a good sign that the impact of the external events of the last couple of years should prove to be temporary; however, the threat of reduced access to insurance and soaring rates could prove to be a more long-term problem and could have a sustained impact, potentially affecting profitability for years to come.

After slumping in the second quarter, business confidence in BC rebounded in the third quarter



Source: Canadian Federation of Independent Business

[3] B.C. Symposium on the Trail of Tourism's Insurance and Financing Challenges," Tourism News, Issue 14, Volume 2, Council of Tourism Associations of British Columbia (Oct. 29, 2003).

[4] See note 1.

Statistics Canada's Survey Skills Workshops
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If you conduct, use or commission survey research, then our intensive **Surveys From Start To Finish Workshop** is for you! This workshop will take you through the survey process step by step, with practical instruction on every stage of the procedure. Learn the elements of successful survey design from the experts.

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- The ins and outs of processing and weighting survey data
- Summarizing, graphing, and presenting survey findings

Date & Location

February 23-25, 2004 8:30am – 4:30pm
Boardroom #3
Ramada Inn
444 George St. , Prince George

Fees

Early Bird Rate: $699 + GST
(register two weeks before the workshop)
Regular Fee: $750 + GST
Ask about in-house options!

Refreshments will be served throughout the day.

Name: _____ Organization: _____

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Return form with payment to:
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Registrations are guaranteed once payment is received. **Fees will be refunded, less $75 administrative charge, if written notice is received at least one week prior to the workshop.** Substitutions are permitted at any time. Group rates are also available.

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/03	% change on one year ago
BC	4,158.6	0.8
Canada	31,714.6	0.8
GDP and INCOME		
(BC - at market prices)	2002	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	135,552	2.7
GDP *($ 1997 millions)*	128,151	2.4
GDP *($ 1997 per Capita)*	31,143	1.5
Personal Disposable Income *($ 1997 per Capita)*	19,576	0.1
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Nov	2,815	1.0
Merchandise Exports - Nov	2,268	-2.8
Retail Sales - Nov	3,414	0.2
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Dec '03	% change
BC	120.9	2.2
Canada	122.8	2.8
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Jan '04	prev. month
Labour Force - BC	2,236	0.6
Employed - BC	2,072	0.0
Unemployed - BC	163	8.1
		Dec '03
Unemployment Rate - BC *(percent)*	7.3	6.8
Unemployment Rate - Canada *(percent)*	7.4	7.4
INTEREST RATES (percent)	Feb 4/04	Feb 5/03
Prime Business Rate	4.25	4.50
Conventional Mortgages - 1 year	4.30	4.90
- 5 year	6.00	6.60
US/CANADA EXCHANGE RATE	Feb 4/04	Feb 5/03
(avg. noon spot rate) Cdn $	1.3327	1.5195
US $ *(reciprocal of the closing rate)*	0.7502	0.6574
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Jan '04	one year ago
BC	676.81	-0.4
Canada	673.55	2.3

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

2001 Economic Dependencies & Impact Ratios for 63 Local Areas

British Columbia's Heartland at the Dawn of the 21st Century

This report was prepared to provide economists in the province of British Columbia with up-to-date consistent information on the local economies in the rural areas of the province and to help in the estimation of the economic impacts of changes in those local economies. It is the latest in a series of reports that use data from the Canadian Census and other sources.

Full report is available at:

www.bcstats.gov.bc.ca/pubs/econ_dep.htm

Released this week by BC STATS

- Earnings & Employment Trends, Dec. 2003
- Current Statistics, January 2004

Next week

- Labour Force Statistics, January 2004

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